

# Providing for the Future

## NRW's Sustainability Bond #11



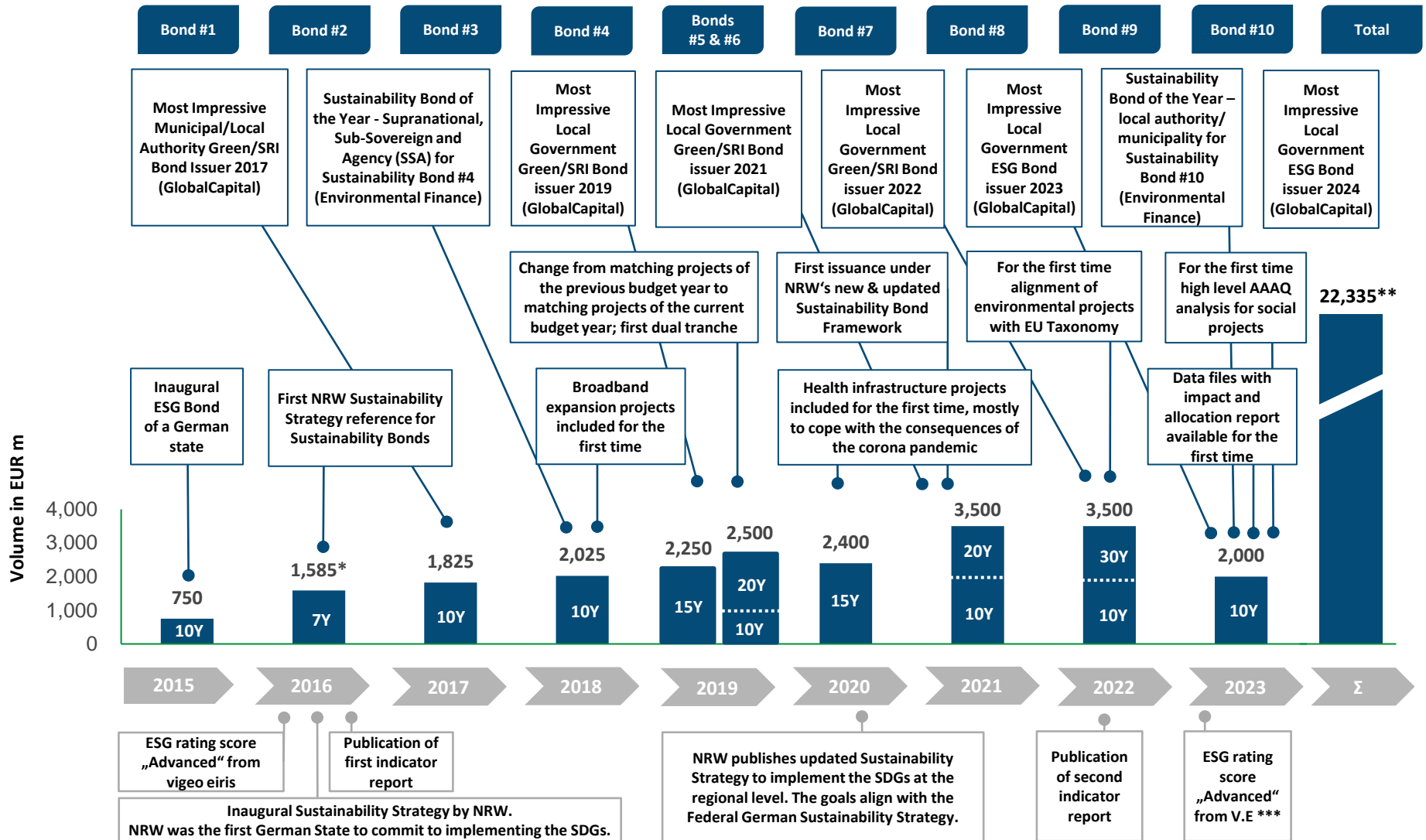
Tom Uhlenberg - Stocksy/stock.adobe.com



- Sustainable development is a guiding principle for the State of NRW. It actively joins the global efforts under the umbrella of the Agenda 2030 adopted by the UN in 2015 and the 17 Sustainable Development Goals (SDGs).
- The State Government adopted the NRW Sustainability Strategy in 2016 and an updated version in 2020. The Strategy is designed to implement the global Sustainable Development Goals (SDGs) at the regional level. It also serves as the political reference for NRW's Sustainability Bond.
- The core of the [Sustainability Strategy](#) is a set of 67 specific goals and indicators covering 16 of the 17 SDGs (without SDG 14). These goals and indicators are closely aligned with the goals at the federal level. Ecological, economic and social interaction are equally taken into account.
- A separate [indicator report](#) covers the development of the indicators. A dedicated [website](#) enables ongoing progress reporting on the indicators.
- Currently, the Sustainability Strategy is being updated.

# Time Flies

## A History of NRW Sustainability Bonds



# A History of Successful SRI Issuances



## NRW Sustainability Bonds

Transaction	ISIN	Settlement	Maturity	Coupon	Size (EUR m)	Reoffer Spread 6ME (bps)	Budget Year
Sustainability Bond #1	DE000NRW0GP1	11.03.2015	11.03.2025	0.500%	750	-11	2014
<i>Sustainability Bond #2</i>	<i>DE000NRW0JF6</i>	<i>16.03.2016</i>	<i>16.03.2023</i>	<i>0.125%</i>	<i>1,585</i>	<i>-2</i>	<i>2015</i>
Sustainability Bond #3	DE000NRW0KB3	07.03.2017	16.02.2027	0.500%	1,825	-14	2016
Sustainability Bond #4	DE000NRW0K03	13.03.2018	13.03.2028	0.950%	2,025	-14	2017
Sustainability Bond #5	DE000NRW0LM8	13.03.2019	13.03.2034	1.100%	2,250	10	2018
Sustainability Bond #6/1	DE000NRW0LZ0	26.11.2019	26.11.2029	0.000%	1,000	-3	2019
Sustainability Bond #6/2	DE000NRW0L02	26.11.2019	25.11.2039	0.500%	1,500	9	2019
Sustainability Bond #7	DE000NRW0ML8	12.10.2020	12.10.2035	0.000%	2,400	7	2020
Sustainability Bond #8/1	DE000NRW0MY1	04.06.2021	04.06.2031	0.125%	2,000	0	2021
Sustainability Bond #8/2	DE000NRW0MZ8	04.06.2021	04.06.2041	0.600%	1,500	9	2021
Sustainability Bond #9/1	DE000NRW0NF8	15.06.2022	15.06.2032	1.875%	2,000	-6	2022
Sustainability Bond #9/2	DE000NRW0NG6	15.06.2022	14.06.2052	2.250%	1,500	35	2022
Sustainability Bond #10	DE000NRW0N67	07.06.2023	07.06.2033	2.900%	2,000	3	2023
<b>Weighted Average Coupon / Total Volume Issued</b>				<b>0.927%</b>	<b>22,335</b>		
<b>Weighted Average Coupon / Total Size Outstanding</b>				<b>0.988%</b>	<b>20,750</b>		

# Awards and Sustainability Rating



## Recognized Achievements

### • Awards

- GlobalCapital „Most Impressive Municipal/Local Authority Green/SRI Bond Issuer” 2017
- Environmental Finance “Sustainability bond of the Year - supranational, sub-sovereign and agency (SSA)” 2019
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2019
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2021
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2022
- GlobalCapital “Most Impressive Local Government ESG Bond Issuer” 2023
- Environmental Finance “Sustainability bond of the Year – local authority/municipality” 2024
- GlobalCapital “Most Impressive Local Government ESG Bond Issuer” 2024





# Sustainability Bond Framework



## New Structure in 2021

- Separate [NRW Sustainability Bond Framework](#) aligned with the ICMA Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018).
- Projects classified in 14 ICMA Use of Proceeds categories: 6 SBP and 8 GBP categories.
- Aligned with updated NRW Sustainability Strategy (2020).
- New components: Do no harm principle, compliance to social safeguards, controversies, exclusions.
- SPO for Sustainability Bond Framework from ISS ESG.
- Eligible assets will be made public before issuance of each Sustainability Bond and evaluated with a separate SPO.

# Future Sustainability Bond Framework



Update expected for 2025

- **Sustainability Bond framework** currently **updated**, publication expected for **2025**.
  - Currently, issue refers to projects of the **same fiscal year**; with future framework issue refers to projects of the **previous fiscal year**.
    - ➡ Issue of Sustainability Bond 2024 referring to projects of the year 2024, issue of Sustainability Bond 2025 referring to projects of the year 2024.
    - ➡ **Eligible assets** of fiscal year **2024** need to be **shared** by two Sustainability Bonds and need to fit both frameworks.
    - ➡ Sustainability Bonds 2024 & 2025 will be for once smaller compared to previous Sustainability Bonds because of shared project pool.
  - Adaptation to latest version of ICMA Principles.
  - Taking into account evolution of EU Taxonomy.
  - Update of NRW Sustainability Strategy.

# Use of Proceeds of NRW Sustainability Bond #11



13 SBP and GBP Categories with Projects Related to SDGs

- A. Affordable basic infrastructure
- B. Access to essential services
- C. Affordable housing
- D. Employment generation
- E. Food security and sustainable food systems
- F. Socio economic advancement and empowerment

- G. Renewable energy
- H. Energy efficiency
- I. Pollution prevention and control
- J. Natural resources and land use
- K. Clean transportation
- L. Sustainable water and wastewater management
- M. Climate change adaptation





# Alignment with Principles



ICMA

The Sustainability Bond complies with the four core components of ICMA's Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018):

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting



# Process for Project Evaluation and Selection



## Comprehensive Pre-Issuance Disclosure

- Projects are selected in accordance with the categories and criteria set out in the "Sustainability Bond Framework".
- Only the State's own discretionary spending (net of EU grants, federal grants or other revenues earmarked for specific purposes) is taken into account. Thus, double counting of expenditures in other SRI Bonds is ruled out.
- Projects prescribed by federal law are excluded. Thus, eligible projects are voluntarily provided by the State.
- The State's personnel costs are excluded.
- Prospective allocation of net proceeds is disclosed pre-issuance. A detailed description of all projects ("Eligible Assets") is available at the [website of Sustainability Bond #11](#).
- The eligible assets will be referred to and shared by Sustainability Bonds #11 and #12. The total volume of both Sustainability Bonds will not exceed the expenditures of the eligible assets.

# Management of Proceeds



## Funding the Public Sector: Sustainability Bond #11

- An amount equivalent to the net issue proceeds of Sustainability Bonds #11 and #12 will be used to cover expenditures for selected social and environmental projects.
- All projects are part of the State's discretionary spending of the fiscal year 2024 and can be traced to the [NRW 2024 Budget Plan](#) (Haushaltsplan 2024). Some projects run for more than one year, but for the issuances at hand, only the expenditures of the fiscal year 2024 are taken into account.
- The State plans to adopt a supplementary budget plan for the year 2024. Final budget results for 2024 and final allocation of proceeds will be set out post issuance and comprise the State's expenditures including the supplementary budget.
- In the unlikely event that net issue proceeds of Sustainability Bonds #11 and #12 exceed the State's expenditures for eligible projects in the fiscal year 2024, the remaining proceeds will be used to cover expenditures for similar projects of the fiscal year 2025.

# Sustainability Quality of the Bond



## Verification and Evaluation

- SPOs for Framework and Eligible Assets both provided by ISS ESG.
- SPO for NRW's Sustainability Bond Framework published in 2021 confirms that the Framework is in line with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines administered by ICMA and that the Use of Proceeds categories are consistent with the State's Sustainability Strategy.
- SPO for Eligible Assets finds a positive contribution to the SDGs for eligible assets.





- Impact reporting with regard to projects referred to by the Sustainability Bonds is published on a regular basis and covers social and environmental impacts. Reports are provided by Wuppertal Institut für Klima, Umwelt, Energie gGmbH post issuance.
- The evaluation carried out by Wuppertal Institut comprises an analysis of projects related to the most current issuance as well as a consolidated analysis of the GHG savings over the lifetime of projects related to all Sustainability Bonds NRW issued so far (portfolio approach).
- An allocation report about the previous Sustainability Bond as well as an overview of allocations of all previous Sustainability Bonds is provided in the appendix.



## Environmental and Social Impacts of Sustainability Bond #10

### NRW Sustainability Bond #10 Fact Sheet

Volume of EUR 2bn | issued in 2023 (State expenditures 2023)  
53 eligible projects | impact assessment by Wuppertal Institut

Impacts by selected projects\* of NRW Sustainability Bond #10  
<https://nachhaltigkeit.nrw.de/en/sustainability-bonds-nrw>





# NRW Sustainability Bonds #11 + #12



## Contributing to Sustainable Development

- In total, Sustainability Bonds #11 and #12 relate to 53 specific projects mapped to 14 SDGs.
- Eligible assets amount to EUR 2.9bn and will be split between Sustainability Bonds #11 and #12.
- Projects include areas such as education, research, health, local public transport, climate protection and digitalization.
- For the first time, the State's share in the implementation of the ticket for regional public transportation in Germany (“Deutschlandticket”) is included.
- Data and information for investors available at website.

# NRW Sustainability Bonds #11 + #12



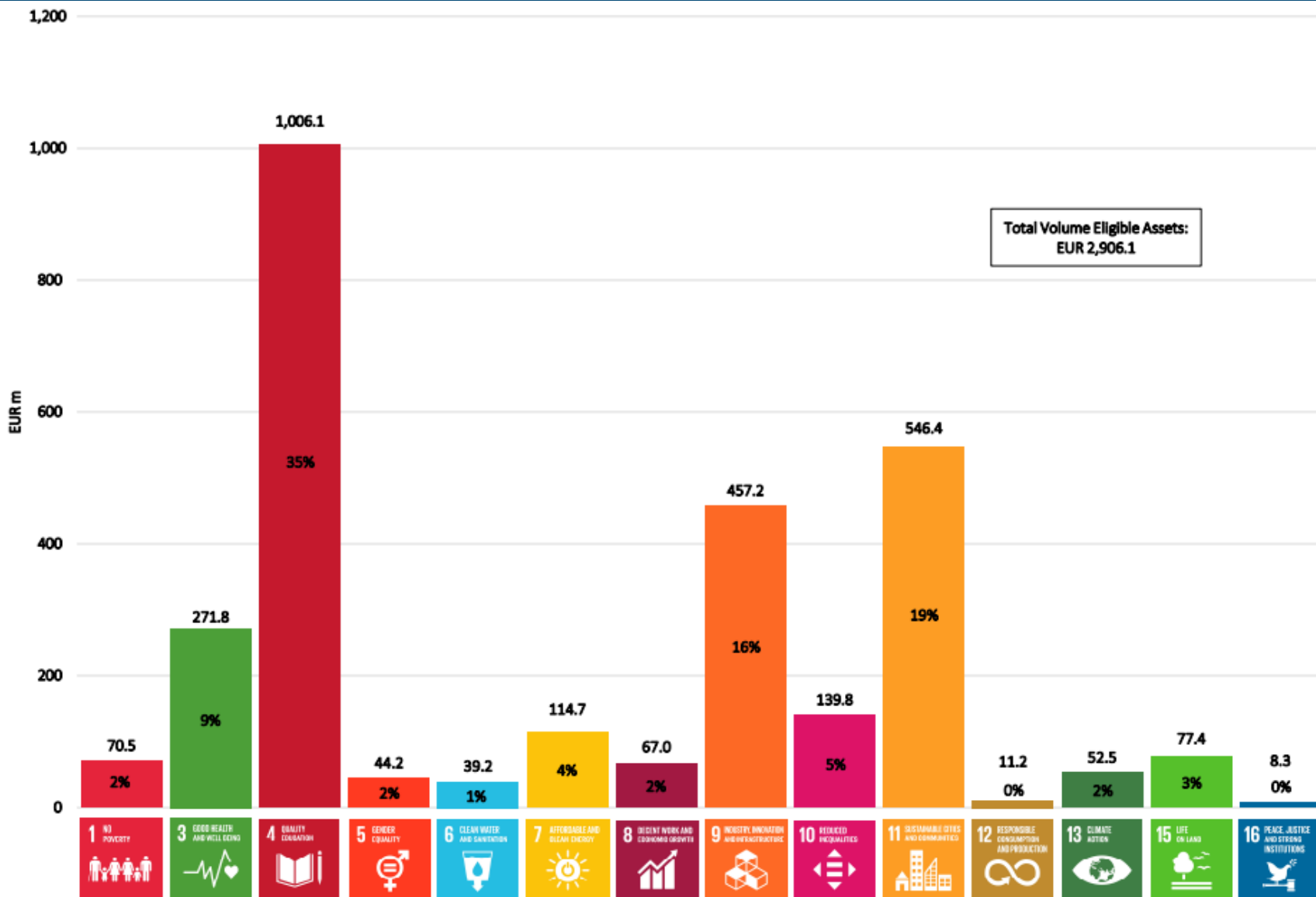
## Prospective Allocation of Proceeds

SBP Project Category	Eligible Assets [EUR m]	Share of Assets	GBP Project Category	Eligible Assets [EUR m]	Share of Assets
A. Affordable basic infrastructure	345.2	11.9%	G. Renewable energy	6.0	0.2%
B. Access to essential services	1,553.4	53.5%	H. Energy efficiency	47.5	1.6%
C. Affordable housing	112.0	3.9%	I. Pollution prevention and control	173.7	6.0%
D. Employment generation	6.6	0.2%	J. Natural resources and land use	52.1	1.8%
E. Food security and sustainable food systems	4.1	0.1%	K. Clean transportation	315.7	10.9%
F. Socioeconomic advancement and empowerment	177.8	6.1%	L. Sustainable water and wastewater	98.0	3.4%
			M. Climate change adaptation	14.1	0.5%
<b>Social Projects</b>	<b>2,199.1</b>	<b>75.7%</b>	<b>Green Projects</b>	<b>707.1</b>	<b>24.3%</b>
<b>Total Volume Eligible Assets</b>	<b>2,906.1</b>				

# NRW Sustainability Bonds #11 + #12



## Eligible Assets per SDG



# A. SBP: Affordable Basic Infrastructure



EUR 345.2m

- Broadband expansion
- Public transportation



# B. SBP: Access to Essential Services



EUR 1,553.4m

- Education at universities, schools and day care centres
- Research
- Improvement of health infrastructure



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# C. SBP: Affordable Housing

EUR 112.0m



- Urban renewal
- Village renewal



© Land NRW / Andreas Buck



# D. SBP: Employment Generation

EUR 6.6m



- Integration of people with disabilities into the labour market
- Sustainable economy



# E. SBP: Food Security and Sustainable Food Systems



EUR 4.1m

- EU school programme for healthy food

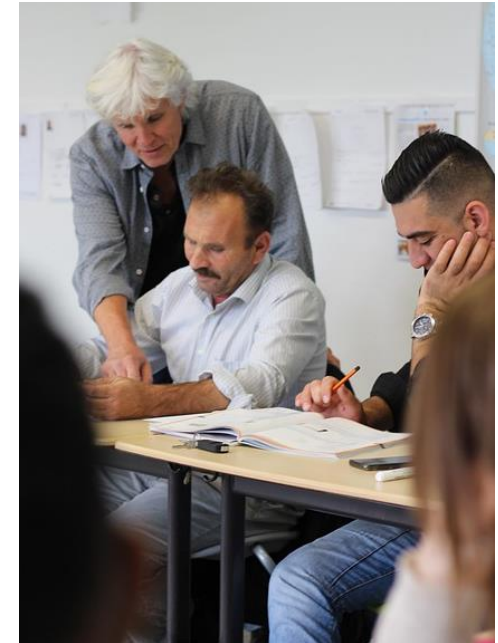


# F. SBP: Socio Econ. Advancement & Empowerment



EUR 177.8m

- Fight against poverty
- Integration of migrants
- Integration into the labour market
- Inclusion of disabled people
- Female empowerment
- Protection against violence



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NRW schafft Chancen



# G. GBP: Renewable Energy

EUR 6.0m



- Energy storage



# H. GBP: Energy Efficiency

EUR 47.5m



- Energy efficiency
- E-mobility
- Resource efficiency



# I. GBP: Pollution Prevention and Control



EUR 173.7m

- Hydrogen-energy
- Research
- Climate protection



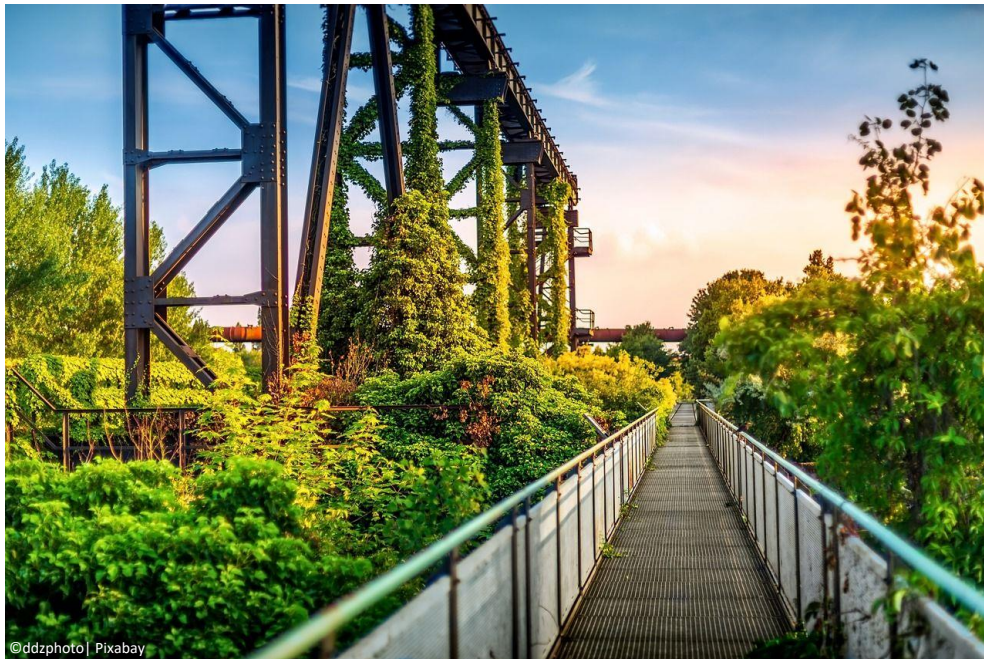


# J. GBP: Natural Resources and Land Use



EUR 52.1m

- Biodiversity





# K. GBP: Clean Transportation

EUR 315.7m



- Infrastructure for cyclists and pedestrians
- Public transportation (“Deutschlandticket”)

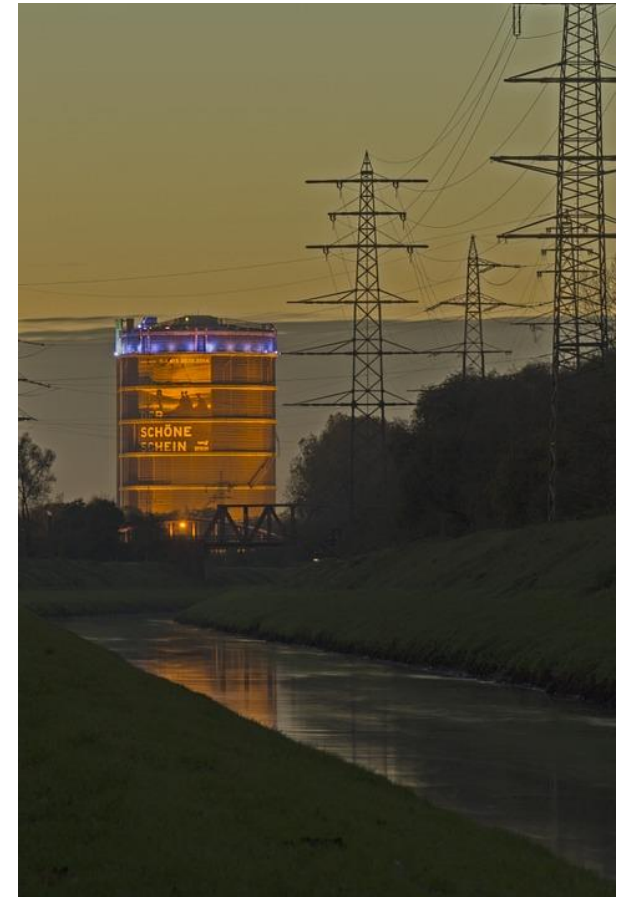


# L. GBP: Sustain. Water & Wastewater Management



EUR 98.0m

- Flood prevention
- Water protection





# M. GBP: Climate Change Adaptation



EUR 14.1m

- Climate change adaption
- Climate protection
- Reforestation



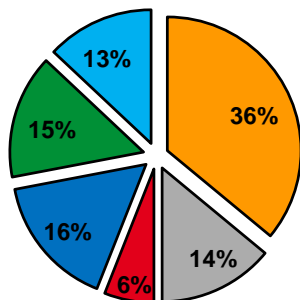
# Recent Benchmark Issues



## Sustainability Bond #10

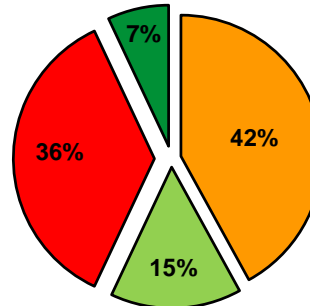
Issuer	State of North Rhine-Westphalia
Issuer Rating	Aa1 by Moody's (stable), AA by S&P (stable), AAA by Fitch (stable)
ESG Rating	Advanced, 65/100 (Moody's ESG Solutions)
Issue Size	EUR 2.0bn
Status and Format	Collective Debt Register Claim, RegS, Senior Unsecured
Maturity Date	07 June 2033
Settlement Date	07 June 2023
Coupon	2.90% annually act/act ICMA
Reoffer Spread	MS +3bps
ISIN	DE000NRW0N67
Lead Managers	Crédit Agricole, Erste Group, ING, J.P. Morgan, NatWest Markets, Nordea

**Geography**



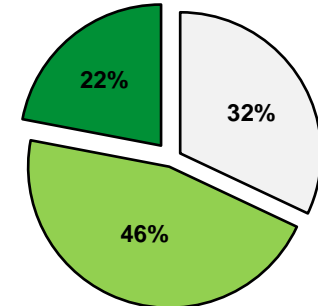
■ DACH    ■ Other    ■ BeNeLux  
■ UK    ■ France    ■ Scandinavia

**Investor Type**



■ Banks    ■ CB/OI    ■ Asset Managers    ■ Other

**ESG Shading**



■ Conventional    ■ Light    ■ Dark

# Contact Details



Ministry of Finance, Jägerhofstraße 6, 40479 Düsseldorf, Germany

## Sustainability

### Dr. Kirsten Häger

Head of Sustainable Finance

Phone: +49 211 4972 2295

E-Mail: [kirsten.haeger@fm.nrw.de](mailto:kirsten.haeger@fm.nrw.de)



## Treasury

### Andreas Becker

Head of Treasury and Pension Fund

Phone: +49 211 4972 2532

E-Mail: [andreas.becker@fm.nrw.de](mailto:andreas.becker@fm.nrw.de)



### Stefan Wegner

Head of Funding Team

Senior Funding Manager

Phone: +49 211 4972 2800

E-Mail: [stefan.wegner@fm.nrw.de](mailto:stefan.wegner@fm.nrw.de)

### Lukas Schüller

Head of Budget Strategy

Senior Funding Manager

Phone: +49 211 4972 2800

E-Mail: [lukas.schueller@fm.nrw.de](mailto:lukas.schueller@fm.nrw.de)



### Florence Elisabeth Seeger

Head of Investor Relations

Senior Funding Manager

Phone: +49 211 4972 2800

E-Mail: [florenceelisabeth.seeger@fm.nrw.de](mailto:florenceelisabeth.seeger@fm.nrw.de)



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